Nova Scotia

ANNUAL REPORT

for the fiscal year
ending March 31, 1989

Nova Scotia Farm Loan Board

92-06763/

His Honour
The Honourable Lloyd R. Crouse
Lieutenant-Governor of the
Province of Nova Scotia
Government House
Halifax, Nova Scotia

May It Please Your Honour,

I have the honour to submit the Annual Report of the Nova Scotia Farm Loan Board for the fiscal year ending March 31, 1989.

Respectfully submitted,

George Archibald

George Archibald, Minister
Department of Agriculture
& Marketing

The Honourable George Archibald
Minister of Agriculture & Marketing
Province of Nova Scotia
Halifax, Nova Scotia

Sir:

On behalf of the Nova Scotia Farm Loan Board, we have the honour of presenting the fifty-seventh Annual Report of the Nova Scotia Farm Loan Board covering the fiscal year ending March 31, 1989.

As required by Section 11 of the Agriculture and Rural Credit Act, 1967, this report contains a summary of Board activities and the audited financial statement.

Yours truly,

Arnold A. Rovers
Director

Lawrence Coldwell
Chairman

CONTENTS

Board Membership 8

Director's Report 9

Farm Loan Board Programs 11

Board Operation Overview 13

Board Statistical Overview 16

Financial Statements 21

Auditor's Report 24

THE NOVA SCOTIA FARM LOAN BOARD

Board Members

Chairman	Lawrence Coldwell
Vice-Chairman	John MacLean
Secretary to the Board	Arnold A. Rovers
Member	Gordon Creelman
Member	Casey Van De Sande

Principal Officers

Director	Arnold A. Rovers
Loan Supervisor	Robert Adams
Loan Supervisor	Ralph Taylor
Accountant	Michael Cassidy
Solicitor to Board	Jonathan Davies
Auditor	Auditor General

Truro Office

Senior Loan Officer	David Arenburg
Loan Officer	Ian Blenkharn
Loan Officer	Derrick Jamieson

Kentville Office

Senior Loan Officer	Allister Marshall
Loan Officer	Wayne MacLeod

Antigonish Office

Loan Officer	Vernon Murray

DIRECTOR'S REPORT

Since 1932 the Nova Scotia Farm Loan Board has been serving the agricultural industry of Nova Scotia. Originally known as the Miners Settlement Board, the role of the Nova Scotia Farm Loan Board has evolved with the changing requirements of the Nova Scotia agricultural industry.

The Board operates under the authority of the Agriculture and Rural Credit Act. The Board provides stability to and encourages the expansion of Nova Scotia's agricultural industry by extending long-term financing at favorable rates of interest, for the acquisition and development of farms.

The purpose and responsibilities of the Farm Loan Board are more than the extension of credit to the agricultural industry. Staff of the Board, in cooperation with personnel of other branches of the Nova Scotia Department of Agriculture and Marketing, provide financial counselling services to both beginning and established farmers.

In addition to its lending and counselling roles, the Board and its staff administer several departmental programs designed to promote the establishment and development of the industry. These programs include the Interest Subsidy, Interest Forgiveness, and Nova Scotia Land Purchase and Leasing programs.

Recent annual reports have noted that the high cost of purchasing or establishing a commercial farm operation made it difficult for young persons to enter the agricultural industry. This remains true for those sectors operating under supply management systems, particularly poultry and dairy. The price stability offered by these sectors is attractive to those people interested in entering the industry.

The agricultural industry is subject to many influencing factors, both internal and external. Some sectors have experienced the financial stress resulting from these factors.

The Board continued to work closely with clientele in financial distress either to assist in re-establishing the farm as a viable unit or to enable the farmer to exit the industry in an orderly manner.

The largest percentage of accounts in financial distress are in the hog sector. Financial difficulties resulting from a prolonged period of low hog prices and relatively high feed costs have eroded producers' financial

reserves. This has resulted in increased borrowings and the deferral of building and equipment maintenance. The Board witnessed the failure of several accounts in 1988. It is expected that there will be a continuation of the decline in the number of hog accounts for several years.

In the fiscal year 1988-89, the Nova Scotia government entered the National Tripartite Hog Stabilization Program. As part of the transition from the Provincial Hog Stabilization Program to the Tripartite plan, the Nova Scotia government assisted the industry by retiring the industry loan of $4,221,050 owing to the Nova Scotia Farm Loan board.

The agricultural sector of Nova Scotia's economy continued to show steady growth in 1988 with total farm cash receipts increasing by $11.5 million over 1987 to $307.3 million. The industry's net income increased by approximately $4.8 million in 1988, compared to previous years, led principally by a 14.4 per cent increase in the value of crops.

Low commodity prices resulting from high world production and relatively high feed prices resulted in Nova Scotia's hog production returns declining to $27.7 million in 1988, compared to $33.8 million in 1987.

The province's fur industry experienced a financial downturn in 1988. The industry's cash revenue dropped from $17.4 million in sales in 1987 to $11.3 million last year. The egg, poultry, and dairy industries continued strong, showing increases in farm cash sales of 5 to 10 per cent.

Total farm debt outstanding in Nova Scotia as of December 1987, increased marginally by 3.3 per cent over the same period last year. At December 1987, the industry's total debt rose to $219.8 million from $212.9 million the previous year as farmers recovered from the effects of the high interest rates of 1981 and 1982 and invested in capital improvements and expansion. The Nova Scotia Farm Loan Board's capital commitment continued to expand in 1988 with $135.5 million outstanding in loans and real estate, as of March 31, 1989.

The agricultural industry is a vital segment of the Nova Scotia economy. There are 9,000 person years of direct employment in the industry. The Farm Loan Board is cognizant of the importance of this industry to the provincial economy and remains committed to assisting the improvement, expansion, and development of the agricultural industry through its work with primary producers and cooperation with farm organizations.

FARM LOAN BOARD PROGRAMS

LENDING PROGRAMS

The Nova Scotia Farm Loan Board provides direct loans to resident Nova Scotian farmers operating under single proprietorships, partnerships, or companies. Loans may be approved in one of three categories: Part-time, Commercial, or Timber.

Part-Time

Loans of up to $45,000 are available to part-time farmers at 10 per cent interest. A significant part-time farm program commensurate with the size of the loan is a primary requirement. The maximum term of the loan is 20 years.

Commercial

Loans to commercial farmers of up to $300,000 are available at 8 per cent interest on the first $150,000 of loan and 10 per cent interest on the next $150,000. Loans in excess of $300,000 are available at prevailing interest rates with approval of the Board and the Governor-in-Council. The maximum term is 30 years, although most loans are for 20-year periods. Loans are primarily for farm purchase or capital development.

Commercial farms must achieve at least $10,000 in on-farm production or 50 per cent of the family's income from the farm. Loans must be to financially sound units, capable of supporting the farm family and servicing the farm debt from the farm program.

Timber

The Nova Scotia Farm Loan Board acts as the Timber Loan Board to provide loans to mill operators for timber land acquisitions. Loans are available under the same terms as commercial farm loans.

LAND PURCHASE AND LEASE PROGRAM

The Farm Loan Board administers a program of land acquisition and leasing of agricultural lands to farmers. Land acquisition proposals are approved by the Land Purchase and Lease Committee, based on the appraised value of the land and other requirements outlined in the program. Lands acquired are available for lease with an option to

purchase. Lease fees are 8 per cent of the initial acquisition costs plus taxes and fire insurance if applicable. The option to purchase may be exercised under specific conditions at the end of the five-year lease terms. Options to renew leases are also available.

DIRECT ASSISTANCE PROGRAMS

Two financial assistance programs are administered by the Board:

Young Farmers Interest Forgiveness Policy

The Young Farmers Interest Forgiveness Policy is designed to encourage young farmers to acquire and develop a commercial farm. Assistance is based on the amount of interest charged on initial principal borrowings from the Nova Scotia Farm Loan Board or the Farm Credit Corporation for a two-year period. The maximum assistance is $30,000 over two years.

The funds approved by the Board may be used to (a) provide equity contributions to assist in the purchase of a farm; (b) delay or reduce payments based on cash flow; and/or (c) provide capital improvement projects to assist in farm development, depending on arrangements approved by the Board when the loan decision is made.

Interest Subsidy Policy

The Interest Subsidy Policy provides for direct assistance to reduce interest payments by farmers. Assistance is based on 2.5 per cent of principal balance outstanding with the Farm Loan Board, the Farm Credit Corporation, or the Veteran's Land Act. The maximum assistance available is $1,250 per year per farm.

INDIRECT ASSISTANCE PROGRAMS

A counselling service is provided to evaluate farm development proposals or to review farm financial situations on existing operations. The establishment of effective lines of communication with the farming clientele allows for a comprehensive analysis of financial projections and proposals. An advisory service is provided to farms in financial difficulty, including a review of historical conditions, an evaluation of the current situation, and projection of changes required, leading to financial improvement. These services are provided in close cooperation with the Farm Management Division and commodity specialist of the Department of Agriculture and Marketing.

BOARD OPERATION OVERVIEW

DIRECT LOANS

During its 57th year of operations, the Board met on nine occasions encompassing 24 days. Loan activity decreased by approximately 15 per cent during the past year, following a substantial increase in loan activity in the previous year. A total of 200 loans, amounting to $14,011,631.20, were approved and accepted for the fiscal year 1988-89.

In addition to its loan function to agriculture and owners of forest product mills, staff of the Farm Loan Board administered policies of interest reduction and assistance to new farmers. The staff of the Board purchased and administered properties for lease to qualified individuals at the request of the Land Purchase and Lease Committee. The administration of properties purchased under ARDA Project 22015 in the period of 1965-1971 was a continuing responsibility.

During the year under review, the Board approved and farmers accepted 62 new loans totalling $7,705,150. The new loans included 52 to commercial operations and 10 to part-time farmers.

The Board also approved and had accepted 138 additional loans to existing commercial farmers totalling $6,306,481. Additional loans were primarily for building construction, renovations, and additional land purchases.

Applications for 38 loans in the amount of $4,162,700 were rejected due to the inability of the applicants to meet the requirements of the Board. Ten applications totalling $448,750 were approved by the Board and then cancelled by the borrower.

The total number of loans in effect decreased to 1,472 in 1988-89 from 1,506 the year before. Part of the decrease reflected a consolidation, as more partnerships and family farm companies are being established and as existing farmers enlarge their units by bringing children into an expanded farm unit.

Total payments on loans decreased to $21,207,468, made up of $10,853,256 principal and $10,354,212 in interest. An additional $419,048 was received in insurance premiums. Arrears continued to be a problem, although payments in arrears decreased from $2.9 million to $2.6 million, reflecting improvements in the farm economy and extensive efforts by staff in working with farms in financial difficulty.

TIMBER LOANS

The Board approved four applications for loans in the amount of $195,250 to assist owners of forest product mills in the purchase of forest land. Fifty loans were outstanding in 1988-89. The total outstanding at the end of the year was $1,090,896.

Staff of the Farm Loan Board were responsible for administrative detail with respect to receiving applications, preparing documents, disbursing loans, and keeping loan records. Personnel of the Department of Lands and Forests carry out loan appraisals and prepare reports and recommendations. In addition, they supervise requests to cut forest products from land held as security for loans and establish stumpage rates for material removed.

FARM CONSOLIDATION AND LAND USE

In the period 1965 to 1970, under the terms and conditions of a joint Government of Canada-Province of Nova Scotia ARDA project, properties were purchased for leasing to enlarge commercial farm operations. The initial lease was for a term of five years, with the lessee having the option to purchase or renew the lease for a further five-year term. The administration of properties under lease is a continuing responsibility of the Board.

One hundred and twenty rental statements were issued in October 1988. The balance outstanding on March 31, 1989 under this program was $389,967. Eighteen lessees exercised their option to purchase leased property in 1988-89.

LAND PURCHASE AND LEASE

The Nova Scotia Department of Agriculture and Marketing continued a program of land purchase and leasing, which was introduced in the 1974-75 fiscal year. The Farm Loan Board, at the request of the Land Purchase and Lease Committee, carries out the administrative details involved in the purchase and leasing of these properties. The maximum amount available for the acquisition of property for any farmer is $100,000.

Twelve properties were purchased at a cost of $265,866 for the year in review. In total, 337 properties are currently held under the program. The current outstanding balance on the leased properties is $9,477,671.

INTEREST SUBSIDY PROGRAM

The Board continued to maintain responsibility for the administration of the Interest Subsidy Policy of the Nova Scotia Department of Agriculture and Marketing. During the year, 1,223 farmers were deemed eligible for $1,193,126 in assistance, for an average payment per farmer of $975.57.

BENEFIT TO YOUNG STARTING FARMERS

The policy of granting two years' Interest Forgiveness to new beginning farmers, introduced by the Department of Agriculture and Marketing in the 1974-75 fiscal year, was continued in 1988-89.

Benefits in the amount of $326,771 were made to 32 applicants who qualified in the first year of this eligibility. As well, there were 33 qualified applicants in their second year of eligibility, and the benefit totalled $313,783, for a total benefit during the 1988-89 fiscal year of $640,555.

LIFE INSURANCE

The Farm Loan Board administers a life and disability group insurance for farmers. The policy is held with the Mutual Life Assurance Company of Canada. Total insurance in force at the end of 1988-89 was $109,876,731.

During the year five claims were approved by Mutual Life for total payments of $237,209.

TABLE 1
NUMBER OF LOANS APPROVED BY COUNTY, 1988–89

	New Loans				Additional Loans				Total Loans	
COUNTY	NO.	COMMERCIAL	NO.	PART-TIME	NO.	COMMERCIAL	NO.	PART-TIME	NO.	TOTAL
Annapolis	2	16,500.00	0	—	5	254,501.32	0	—	7	271,001.32
Antigonish	5	1,235,000.00	2	71,850.00	11	435,850.00	0	—	18	1,742,700.00
Cape Breton	2	358,500.00	0	—	4	139,889.51	0	—	6	498,389.51
Colchester	9	970,700.00	1	75,500.00	30	1,399,100.00	0	—	40	2,445,300.00
Cumberland	11	1,153,100.00	1	39,300.00	12	415,468.23	0	—	24	1,607,868.23
Digby	1	148,200.00	1	45,000.00	4	320,000.00	0	—	6	513,200.00
Guysborough	0	—	0	—	2	55,000.00	0	—	2	55,000.00
Halifax	1	231,500.00	0	—	5	296,300.00	0	—	6	527,800.00
Hants	9	1,464,400.00	1	32,500.00	16	498,650.00	0	—	26	1,995,550.00
Inverness	1	40,500.00	1	20,400.00	5	262,500.00	0	—	7	323,400.00
Kings	9	1,413,200.00	0	—	24	1,612,197.14	0	—	33	3,025,397.14
Lunenburg	1	163,000.00	1	45,000.00	1	14,000.00	0	—	3	222,000.00
Pictou	1	91,000.00	1	45,000.00	18	520,025.00	0	—	20	656,025.00
Queens	0	—	0	—	1	83,000.00	0	—	1	83,000.00
Richmond	0	—	1	45,000.00	0	—	0	—	1	45,000.00
Shelburne	0	—	0	—	0	—	0	—	0	—
Victoria	0	—	0	—	0	—	0	—		
Yarmouth	0	—	0	—	0	—	0	—	0	—
TOTAL	52	7,285,600.00	10	419,550.00	138	6,306,481.20			200	14,011,631.20
Timber Loan Board									4	$195,250.00
										$14,206,881.20

TABLE 2
NUMBER OF LOANS APPROVED, BY PURPOSE, 1988–89

Number of new loans: 62
Number of additional loans: 138
Number of timber loans: 4

Purpose	Amount	Percentage of Total*
Farm Loans		
Beef	$ 783,650.00	5.5
Dairy	5,428,325.00	38.7
Hog	1,023,450.00	7.2
Poultry	1,092,650.00	7.7
Fruit/vegetables	1,933,965.37	13.9
Fur	528,600.00	3.7
Other farm buildings	642,650.00	4.5
Silo	216,200.00	1.5
Manure storage	87,000.00	0.6
Land purchase	1,186,401.32	8.4
Machine/equipment	15,000.00	0.2
Quota	567,550.00	4.5
Indebtedness	506,189.51	3.6
Timber Loans	195,250.00	
	$14,206,881.20	100%

*These percentages are calculated on the total value of farm loans, $14,011,631, which excludes the amount of $195,250 that was paid in timber loans.

TABLE 3
OPERATIONS OF THE BOARD, 1987-88 AND 1988-89

Description	1988-89 No.	1988-89 Amount	1987-88 No.	1987-88 Amount
Loans				
Loan accounts	1,472	$125,927,433.	1,506	$125,226,918.
ARDA accounts	101	389,967.	122	455,416.
Land bank accounts	337	9,477,671.	339	9,494,752.
Timber loan accounts	50	1,090,896.	49	1,080,806.
Loans approved	200	14,011,631.	199	16,276,669.
Loans paid off during year	96		126	
ARDA leases issued	120		137	
ARDA properties purchased	18		22	
Land bank leases issued	337		339	
Land bank properties purchased	12	265,866.	13	415,939.
Timber Loan Board new approvals	4	195,250.	2	106,350.
Farm loans rejected	38	4,162,700.	39	4,774,200.
Farm loans cancelled	10	448,750.	4	629,800.
Receipts				
Principal payments		10,853,256.		12,713,086.
Interest payments		10,354,212.		10,217,663.
Life insurance		491,048.		486,273.
Rental & miscellaneous receipts		5,244,804.		692,677.
Arrears of payments, March 31		2,632,122.		2,876,457.
Insurance				
Death & disability claims	5		7	
Amount paid		237,209		195,091
Total value of life insurance		109,876,731		109,718,231
Board				
Number of board meetings	9		9	
Number of days	24		19	
Interest Subsidy Program				
Farm Loan Board	1,132	1,130,790.10	1,170	1,117,577.
Farm Credit Corporation	86	61,010.74	96	64,548.
Veteran's Land Act	5	1,325.53	5	1,406.
Total	1,223	1,193,126.37	1,271	1,183,531.

Establishing Farmer Program				
Farm Loan Board, 1st year	32	326,771.53	33	313,783.
Farm Loan Board, 2nd year	33	313,783.47	30	225,043.
Farm Credit Corporation, 1st year	0		0	
Farm Credit Corporation, 2nd year	0		3	37,956.
Total	65	640,555.00	66	576,782.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
FINANCIAL STATEMENTS
MARCH 31, 1989

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
FINANCIAL STATEMENTS
MARCH 31, 1989

CONTENTS

	Page
Auditor's Report	24
Balance Sheet	25
Notes to Balance Sheet	26
Schedule 1—Continuity of Loans Receivable	29

AUDITOR'S REPORT

To the Chairman and Members of the
Nova Scotia Farm Loan Board; and

To the Minister of Agriculture and Marketing

I have examined the balance sheet of the Nova Scotia Farm Loan Board as at March 31, 1989. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, this balance sheet presents fairly the financial position of the Nova Scotia Farm Loan Board as at March 31, 1989, in accordance with the accounting policies set out in Note 2 of the financial statements, applied on a basis consistent with that of the preceding year.

O.P. Cormier, F.C.A.
Auditor General

Halifax, Nova Scotia
April 26, 1989

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
BALANCE SHEET
AS AT MARCH 31, 1989

ASSETS

	1989	1988 Restated
Accounts receivable	$109,172	$99,870
Loans receivable (Notes 3 and 6)	123,218,225	122,376,485
Real estate (Note 4)	12,223,348	12,035,534
	$135,550,745	$134,511,889

LIABILITIES

Reserve for future premium increase in borrowers' group life and disability insurance	$681,703	$605,018
Advance from Department of Finance (Note 6)	138,147,992	141,406,871
Less: Allowance for doubtful accounts		
Nova Scotia Pork Price Stabilization Board	—	4,221,050
Farm Loan Board accounts	3,278,950	3,278,950
	3,278,950	7,500,000
Net Advance	134,869,042	133,906,871
	$135,550,745	$134,511,889

APPROVED ON BEHALF OF THE BOARD

Chairman

Member

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO BALANCE SHEET
MARCH 31, 1989

1. Authority

The Nova Scotia Farm Loan Board operates under the authority of the Agricultural and Rural Credit Act. The Board was established to increase agricultural activities in the Province by providing financial assistance to farmers.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policies.

Administrative Expenses, Interest Revenue and Expense

Administrative expenses of the Board, and the differential between capital advance interest charges from the Department of Finance and interest revenues earned on loans and leases, are included in the expenditures of the Department of Agriculture and Marketing.

These amounts are not reflected in the attached balance sheet, nor is accrued loan interest receivable.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO BALANCE SHEET
MARCH 31, 1989

3. Loans Receivable

	1989	1988 Restated
Farm loans	$125,406,279	$124,574,629
Nova Scotia Pork Price Stabilization Board	—	4,221,050
Timber loans	1,090,896	1,080,806
	126,497,175	129,876,485
Less: Allowance for doubtful accounts		
Nova Scotia Pork Price Stabilization board	—	4,221,050
Farm Loan Board accounts	3,278,950	3,278,950
	3,278,950	7,500,000
	$123,218,225	$122,376,485

Advances to the Nova Scotia Pork Price Stabilization Board were authorized by the Department of Agriculture and Marketing under the Pork Price Stabilization program. The Nova Scotia Farm Loan Board carried these advances in its accounts, but was not responsible for administration of the program or monitoring the individual advances to hog farmers.

In 1985 the provisions of the Pork Price Stabilization program were amended to discontinue further recoverable advances to the producers. Advances outstanding at that time were continued in the accounts of the Farm Loan Board until March 31, 1989. As authorized by Order-In-Council 89-1009, these advances outstanding were written off as of March 31, 1989.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO BALANCE SHEET
MARCH 31, 1989

4. Real Estate—at cost

	1989	1988
Land consolidation Agricultural Rural Development Agreement (ARDA)	$ 389,967	$ 455,416
Less: Federal Government share of cost of ARDA properties	244,435	293,392
	145,532	162,024
Land bank	9,477,671	9,494,753
Real estate being leased or held	2,528,519	2,307,131
Community pastures	71,626	71,626
	$12,223,348	$12,035,534

5. Commitments

As at March 31, 1989, the Board had authorized loans of $3,785,141 (1988-$2,719,501) which had not been disbursed.

6. Prior Period Adjustment

During the year an error in the method of calculating the interest portion of certain borrowers' repayments was discovered and corrected. The effect of the correction was to decrease both loans receivable and advances from the Department of Finance by $652,289 as at March 31, 1988. Of this amount, $116,776 was applicable to the year ended March 31, 1988, and $535,513 applied to prior years.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
CONTINUITY OF LOANS RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 1989

	1989	1988 Restated
Loans outstanding, beginning of year, as restated (Note 6)	$129,876,485	$126,380,089
Add: Advances made		
Farm loans	13,013,289	17,628,362
Timber loans	124,196	138,672
	143,013,970	144,147,123
Deduct: Payments received		
Farm loans	10,853,256	11,611,657
Nova Scotia Pork Price Stabilization Board	—	1,218,205
Timber loans	114,106	156,886
Write off Nova Scotia Pork Price Stabilization Board advances	4,221,050	—
Transfers from farm loans to real estate	1,328,383	1,283,890
	16,516,795	14,270,638
Loans outstanding, end of year	126,497,175	129,876,485
Allowance for doubtful accounts		
Nova Scotia Pork Price Stabilization Board	—	4,221,050
Farm Loan Board accounts	3,278,950	3,278,950
	3,278,950	7,500,000
Loans receivable, net of allowance	$123,218,225	$122,376,485